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Current Economic Conditions and Prospects  
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# PROVINCE OF ALBERTA

CANADA

CURRENT ECONOMIC CONDITIONS AND PROSPECTS

ALBERTA - SEPTEMBER 1969

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## CURRENT ECONOMIC CONDITIONS AND PROSPECTS ALBERTA - SEPTEMBER 1969

Long term prospects and probabilities should never be confused with current cycles of prosperity or pessimism. The basis of current economic conditions (good or poor) inevitably is followed by new bases at 20, 50, or 100 year intervals. The economic base of Alberta 1930 - 1950 yielded to a vastly different base in the period 1950 - 1970 -- and will change inevitably in the period 1970 - 1990.

The current difficulties of the agricultural industry must be considered in the light of the experiences of the past decade no less than in the light of 1969 conditions. The past fortunes of the coal mining industry must be remembered no less than the immediate favourable prospects. The Alberta economy will continue to function when the current depletable reserves of oil and gas will have been exhausted -- as inevitably they must be.

Local industrial opportunities are to be assessed in the light, both of current conditions and of longer term probabilities as to external events and trends. A non-autarchical economy is dependent on events and decisions made by external government and business leaders who have no loyalty to or abiding interest in, the people who are affected within that economy.





## CURRENT CONDITIONS - ALBERTA

Current economic conditions in Alberta remain buoyant and prosperous.

Crop prospects for 1969 remain better than average: there will be problems of storage and of sales. Without doubt the crops will be sold at a price; only timing of the farm cash receipts is in doubt. The number of head of livestock sold and processed is down but the decline has been more than offset by higher sales prices, and by lower feed costs. Overall farmers' cash income is considerably lower than in 1968.

The value of minerals produced and sold is well above that of 1968. There has been a softening of prices for sulphur and for gas processing plant by-products (propane and butane). Coal production and sales are expected to rise dramatically in the months ahead as the contracts with Japan begin to pay off.

Shipments' value of manufactured products for the half of the year were 4% higher than in 1968. It is likely the increases are accounted for by inflation rather than by volume.

There has been no slackening of construction industry activity. The value of building permits issued is higher, with a substantial increase in those of Calgary more than offsetting a decrease in Edmonton. The current attempts of the federal government to divert funds for construction development from the major cities of Alberta to the depressed cities of other parts of Canada, is not likely to succeed: the needs and prospects





of Alberta will continue to outweigh prospects for return elsewhere. The federal action will likely accelerate local inflationary pressures.

The gross volume of public and private investment in Alberta 1969 at \$2.4 billion is the fourth highest in Canada. On a per capita basis it is by far the highest.

Public and Private Investment, 1969

	<u>Per Capita</u> (dollars)	<u>Gross Volume</u> (millions of dollars)
Alberta	1,567	2,434
British Columbia	1,394	2,866
Ontario	1,119	8,305
Quebec	770	4,602

The judgement as to Alberta prospects, by a broad range of investors, is impressive.

Retail and wholesale sales are 10% higher than in 1968. Again some proportion of the increase is attributable to inflation, but labour income has risen over 15% as well. Both rates are well in excess of the rate of inflation, indicating a substantial rise in real and disposable incomes.

Employment rates continue very high, as over most of the past decade. The unemployment rate at midsummer was less than the 3% so-called frictional unemployment. A higher rate of immigration is desirable.





## INDUSTRIAL PROSPECTS

### Agriculture:

Alberta will remain a cereal growing, and livestock growing province. A shift to livestock is little less chancy than continuation in grain growing; both depend on outside markets and competition.

There are special opportunities for vegetable growing and processing, particularly in the south of the province, where climate and irrigation favour particularly high quality vegetables. The new Incentives Act may accelerate developments.

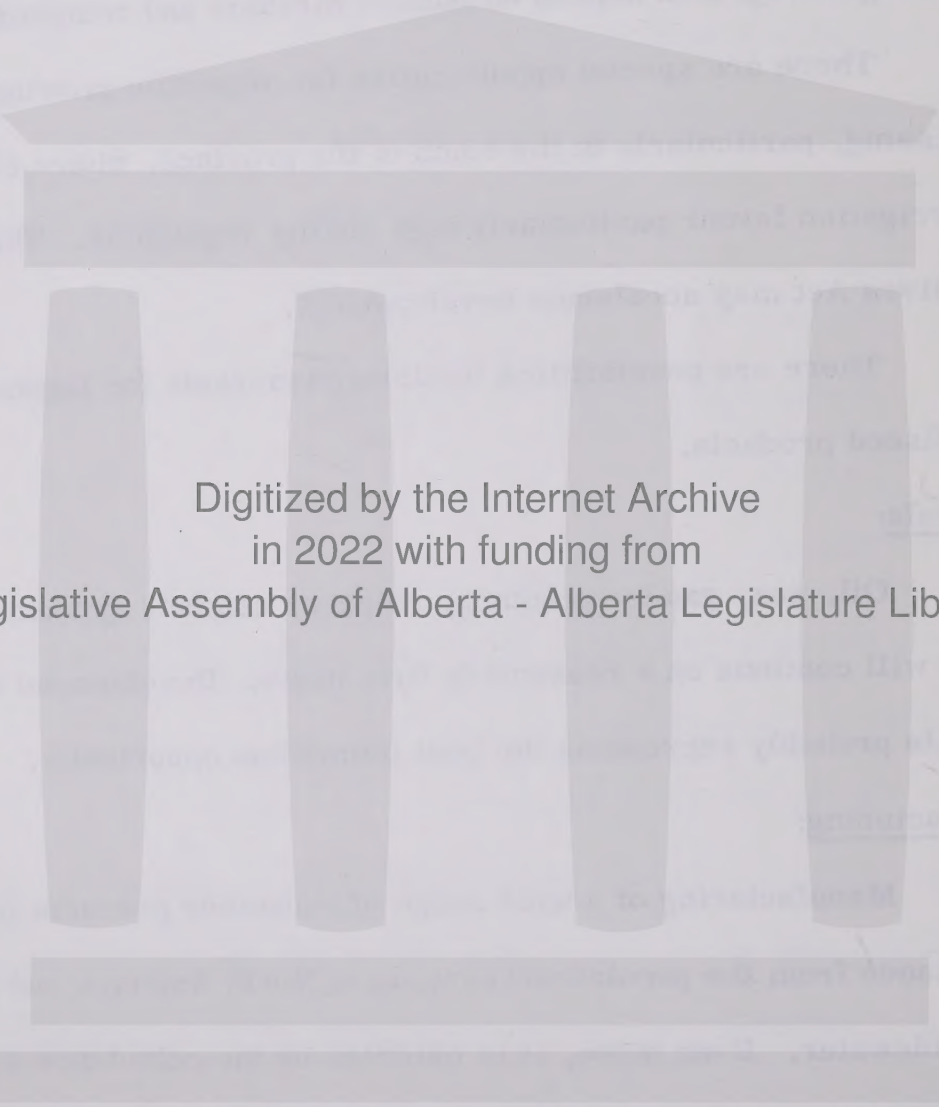
There are possibilities for foreign markets for legume meals and oilseed products.

### Minerals:

Oil, gas, gas by-products, sulphur, cement, gypsum developments will continue on a reasonably firm basis. Development of gypsum deposits probably represents the best immediate opportunity.

### Manufacturing:

Manufacturing of a wide range of consumer products is inhibited by distance from the population heartland of North America and by distance from tidewater. Even more, it is inhibited by the reluctance of firms of central Canada to set up branch plant operations. As a result, it is far easier to secure investment and managerial experience from the firms of United States or other countries than from those of central Canada. Despite the fact that the bulk of the natural resources of the nation are in western Canada, the earlier start and entrenched interests of eastern



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Canadians serve to ensure that the great preponderance of new manufacturing premises are established in the east.

Nevertheless, just as in United States experience, a cumulatively greater number of firms are moving west, and population is building more rapidly in the west. As population grows, it is becoming ever easier to justify profitable western expansion -- if only to match or deter competition. As population concentrates in the larger western cities, the necessary substantial local market opportunities are ensured.

Specific opportunities probably are to be found in vegetable and meat processing; in petrochemical products; in a range of iron and steel products; in pulp and paper production; and in the clothing industries.

#### Construction:

The construction industry fortunes undoubtedly mirror general optimism and prosperity. Apart from developments which follow "normal" population and business growth, the biggest single influence on the industry in Alberta is the variation in the annual rate of pipeline and oil industry plant construction. In the longer run, just as the wood-frame office and commercial buildings have been replaced by brick, stone and cement, so over the next few decades, brick and stone will replace the current stock of wood-frame residences.

It is inconceivable that federal policies can, or dare be intended to, cause any decline in construction volume except for very brief periods.





As with the rest of North America, the rate of inflation is a continuing problem and one which will not be controlled except on a continental basis. The fact that it is continental also mitigates the worst effects. The impact on industries (as on individuals) is most uneven: costs are driven higher for some industries; some industries cannot adjust selling prices to compensate; some industries can take advantage of higher selling prices with small cost increases; most industries have to consider the probable course and duration of inflation in budgeting new investments. Probably only a very painful deflation, externally imposed, will break the current spiral.





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ECONOMIC HIGHLIGHTS    ALBERTA  
1946 - 1969

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1946

Consolidated Mining & Smelting Co. of Canada, Calgary  
(Purchase of Alberta Nitrogen Co.)

Product - Fertilizer

Total Investment 1969 - \$23 million

1947

Leduc Woodbend Oil Field

310,000,000 barrels initial recoverable reserves

1948

Redwater Oil Field

780,000,000 barrels initial recoverable reserves

1950

Interprovincial Pipeline - Crude oil pipeline completed  
Edmonton to Port Credit, Ontario

1952

Canadian Industries Ltd. - Calgary

Product - Explosives

Total Investment 1969 - \$6 million

1953

Pembina Oil Field

1,777,000,000 barrels initial recoverable reserves

Trans-Mountain Pipeline - Crude oil pipeline completed  
Edmonton to Port Mann, British Columbia

Canadian Chemical Co. - Edmonton

Products-Synthetic yarns, Petrochemicals

Total Investment 1969 - \$135 million

Canadian Industries Ltd. - Edmonton

Product - Polyethylene Resins

Total Investment 1969 - \$26 million

1954

Sherritt Gordon Mines Ltd. - Fort Saskatchewan

Products - Nickel, Fertilizer

Total Investment 1969 - \$63 million





1956

Suez Crisis - Arab-Israeli War

Northwest Nitro Chemicals Ltd. - Medicine Hat  
Product - Fertilizer

Total Investment 1969 - \$35 million

North Western Pulp and Power Ltd. - Hinton  
Product - Woodpulp

Total Investment 1969 - \$42 million

1957

Swan Hills Oil Field

931,000,000 barrels initial recoverable reserves

1958

Trans Canada Pipelines - Natural gas pipeline completed  
Alberta to Montreal, Quebec

1961

Dow Chemical of Canada Ltd. - Edmonton  
Products - Ethanolamines, Glycols, Hydrochloric Acid  
Total Investment 1969 - \$14 million

Camrose Tubes Ltd. - Camrose  
(Now Steel Co. of Canada Ltd.)  
Product - Steel Pipe  
Total Investment 1969 - \$10 million

Pacific Gas & Electric Co. - Natural gas pipeline completed  
Alberta to San Francisco, California

1962

Big Inch Pipe Corporation Ltd. - Calgary  
(Now Canadian Phoenix Steel & Pipe Ltd.)  
Product - Steel Pipe  
Total Investment 1969 - \$6 million

1963

Rogers Pass section of Trans Canada Highway  
opened to passenger and freight transport

First large Canadian wheat sale to Russia and  
Communist China



1964

Western Co-operative Fertilizers Ltd. - Calgary  
 Product - Fertilizers  
 Total Investment 1969 - \$29 million

Great Slave Lake Railway completed  
 Peace River to Pine Point, N.W.T.

1965

Rainbow Oil Field  
 384,000,000 barrels initial recoverable reserves

McKenzie Highway rebuilt and completed from  
 Grimshaw to Yellowknife, N.W.T. 600 miles

1967

Great Canadian Oil Sands - Fort McMurray  
 Product - Synthetic Crude Oil  
 Total Investment 1969 - \$295 million

Arab-Israeli War

1969

Alberta Resources Railway completed  
 Solomon to Grande Prairie

Imperial Oil Ltd. - Redwater  
 Product - Fertilizer  
 Total Investment 1969 - \$50 million

McIntyre Porcupine Mines Ltd. - Grande Cache Coal Mine  
 Total Investment - 1969 - \$43 million

Cardinal River Coal Co. Ltd. - Luscar  
 Product - Coking Coal  
 Total Investment 1969 - \$10 million

Japanese coal contracts signed for 62 million tons of  
 coal with approximate value of \$800 million

Yellowhead Highway completed  
 Edmonton to Kamloops, British Columbia  
 Open for year-round passenger and freight transport









